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courage is contagious

Viewing cable 05QUITO1978, PALACIO: I NEED YOUR HELP

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Understanding cables

Every cable message consists of three parts:

- The top box shows each cable's unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#05QUITO1978**.

Reference ID	Created	Released	Classification	Origin
05QUITO1978	2005-08-23 00:26	2011-08-30 01:44	CONFIDENTIAL	Embassy Quito

Appears in these articles:

<http://www.eluniverso.com/2011/04/10/1/1355/cable-39001.html>

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 02 QUITO 001978

SIPDIS

E.O. 12958: DECL: 08/22/2010

TAGS: [PREL](#) [ECON](#) [EFIN](#) [VE](#) [EC](#)

SUBJECT: PALACIO: I NEED YOUR HELP

REF: QUITO 01181

Classified By: CDA JEFFERSON B...

id: 39001

date: 8/23/2005 0:26

refid: 05QUITO1978

origin: Embassy Quito

classification: CONFIDENTIAL

destination: 05QUITO1181

header:

This record is a partial extract of the original cable. The full text of the original cable is not available.

----- header ends -----

C O N F I D E N T I A L SECTION 01 OF 02 QUITO 001978

SIPDIS

E.O. 12958: DECL: 08/22/2010

TAGS: [PREL](#) [ECON](#) [EFIN](#) [VE](#) [EC](#)

SUBJECT: PALACIO: I NEED YOUR HELP

REF: QUITO 01181

Classified By: CDA JEFFERSON BROWN, REASONS 1.4 (B,D)

1. (C) Summary: In a meeting with Charge on August 22, President Palacio asked for U.S. assistance with the international financial institutions to ensure that Ecuador could meet its October financing requirements. He expressed frustration with unrest in the oil patch and with the intelligence the military had been providing, suggesting that a great conspiracy, including his predecessor, was at work. He also expressed exasperation with Ministers of Foreign

Affairs Parra, Economy (former) Correa, and Economy Barreiro, suggesting that they had formed a "friends of Venezuela society" which was limiting his options. He said he was still awaiting technical details of Venezuela's newest proposal, to lend Ecuador the oil it lacks to meet its export commitments. End Summary.

Widespread Conspiracy

12. (C) Palacio called Charge and ADCM in on the morning of August 22 to discuss the protests in the oil-producing regions of Sucumbios and Orellana and their economic implications. He began by expressing his frustration with GOE military intelligence, which, he said, had initially concluded that "the highly organized protests had appeared out of nothing." He said the quality of the intelligence he was getting since changing Ministers of Defense last week, "had changed instantly" for the better. It was clear that the protests were the result of a "widespread conspiracy," including former President of Ecuador Gutierrez. As a result, his initiative to increase social spending was now out of the question, "as the conspirators planned."

Fiscal Crunch Time Coming

13. (C) Ecuador would need the help of the U.S., Palacio said. Ecuador had large debt payments due in October (more than \$200 million, see reftel). The losses in the protests were estimated at more than \$400 million. It was not clear how Ecuador could meet all its obligations. What would be the attitude of the international financial institutions (IFIs)? Could the USG help? ADCM noted that the IFIs want to help. Ecuador, however, would have to be willing to make commitments to them regarding the fiscal policies to be implemented. An IMF team arrived in Ecuador today and will meet with Palacio on Thursday. He is keen to leave them with a good impression and wanted to meet with them personally to be sure they hear the right message.

Cuban Boondoggle

14. (C) Palacio explained a convoluted decision-making process which resulted in four GOE delegates to the Cuban medical school graduation over the weekend. He said that he had initially decided on FM Parra and Minister of Health Wellington Sandoval. However, in considering that decision, he realized the two were both from the left side of his cabinet. He decided to add Secretary of Production Joaquin Zevallos to balance the delegation politically. He then noted that the Vice President seemed to be sullen and feeling left out, so he invited him to go, as well.

Venezuelan Solution

15. (C) Finally, Palacio described the genesis of the Chavez proposal to loan Ecuador the oil necessary to keep Ecuador's oil exports at their pre-protest level. He expressed exasperation with ministers "who seem to have formed a Friends of Venezuela Club;" MFA Parra, former MinFin Correa, and "maybe" MinFin Barreiro. He said Chavez had called on Saturday to make the offer. "I could hardly reject it, as it seems so generous." Shortly thereafter, Parra had called to crow about the "great deal he had negotiated with Chavez." He had said he had already called MinFin Barriero, who was excited by the news. Palacio said he scolded Parra for taking the news elsewhere before informing the president. "Don't forget, I make the decisions," he told Parra. He expressed confidence in the newly installed Petroecuador president, and will listen carefully to his technical advice. He was clearly aware of the political implications of accepting the Chavez offer, and wanted us to know he was factoring that into his deliberations. In the end, he said, he would have to see the details of the Venezuela offer to decide whether to accept it, or not.

Comment

16. (C) This meeting confirmed previous conclusions about Palacio: He is doing his best, with limited capability; to deal with the very difficult hand he has been dealt. His request for our help with the IFIs and its juxtaposition against the Venezuelan offer is transparently designed to convince us to raise Chavez's bet. That said, if we can get a commitment by the GOE to pursue responsible fiscal policy, IFI financing might be forthcoming again. Balanced against a Chavez offer which is almost certainly not the interest-free-loan-of-hundreds-of-millions-of-dollars it is being portrayed as, we might just drag the GOE back into a responsible economic policy. Even responsible policy will not be enough if the GOE cannot find a way to dampen expectations which have been fueled by its own irresponsible talk and \$60 oil.

BROWN

=====CABLE ENDS=====